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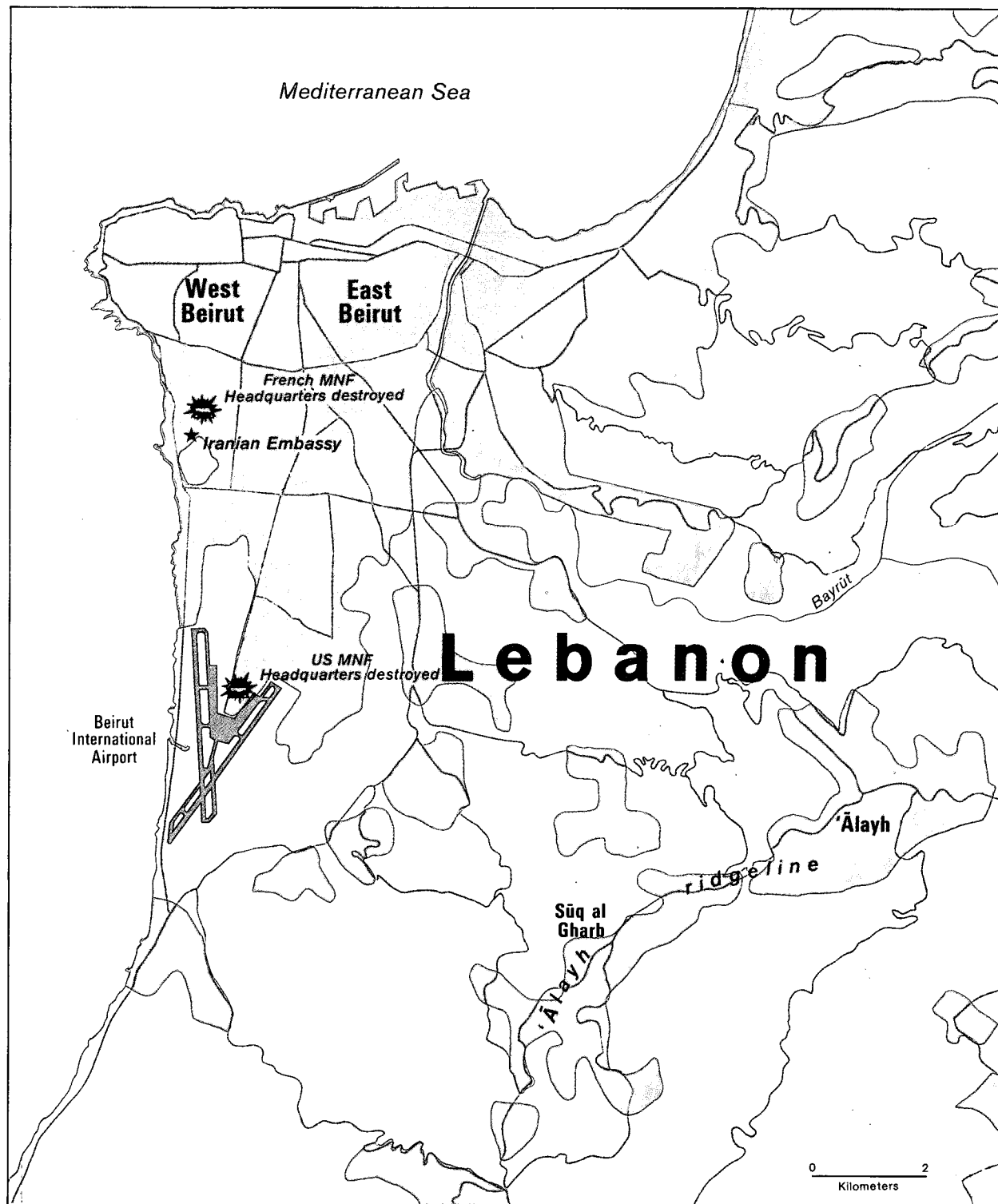
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LEBANON: Iranian-Backed Shias Behind Bombing

(Information as of 2300 EDT)

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Evidence points to Iranian-backed Lebanese Shias as perpetrators of the bombing attacks against the US and French Multinational Force contingents yesterday. Syria also may have been involved. The bombings have not yet dissuaded opposition leaders from attending national reconciliation talks.

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The suicidal tactics employed in the bombing strongly resemble those used by Iranian agents against Iraqi targets in Paris and Baghdad. The targeting of French troops also makes Iran a likely suspect because of Iran's strong opposition to the delivery by France of Super Etendard aircraft to Iraq.

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Iran's motive in sponsoring these attacks would probably be to force the withdrawal of the Multinational Force contingents. A high-level Iranian official stated that he hoped the US and France had "learned their lesson." He boasted that the "the Muslim people" in Lebanon had acted in accordance with Khomeini's principles of revolution. [REDACTED]

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The nature of these pro-Iranian Shia splinter groups precludes effective countermeasures by US forces. Desperate terrorist acts by individuals willing to sacrifice their lives are almost impossible to prevent. Moreover, since these groups are composed of a few hundred individuals scattered throughout the Shia neighborhoods of Beirut, it would be very difficult for US forces to target them for counterattacks. [REDACTED]

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Implications for Reconciliation Talks

Nearly all the opposition leaders scheduled to participate in national reconciliation talks next week in Geneva have condemned the bombings. Neither the attack nor the continued fighting in the mountains has caused any political leader to back off from the talks. [REDACTED]

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Comment: Although many of the opposition leaders genuinely abhor the use of extreme terrorist violence, their main motive in denouncing the attacks is probably to deflect any possibility that their own groups could be accused of complicity. The bombings will serve to remind opposition leaders that armed groups can respond to unpopular political decisions with terrorist violence. The effectiveness of the bombings will almost certainly compel political leaders to remain cautious and unyielding in the talks. [REDACTED]

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Any US counterattacks against targets within Beirut, however, would probably be condemned by most opposition leaders and could reignite the cycle of violence in the capital. [REDACTED]

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Reactions to the Bombings

The other states involved in the Multinational Force—France, Italy, and the UK—were among the several Western states promptly to deplore the bombings. The French Government has recalled Foreign Minister Cheysson from an EC meeting in Athens and dispatched Defense Minister Hernu and military chief of staff Lacaze to obtain a first-hand reading of the situation in Beirut.

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Egyptian Foreign Minister Ali has called for “restraint” by the superpowers and “all parties in the area.” Saudi Foreign Minister Saud expressed hope that the bloodshed would not wipe out “the optimistic picture” created by the recent cease-fire.

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Soviet media coverage has been brief and factual. Central Committee secretary Zagladin publicly deplored the attack but asserted that the “tragedy” of Lebanon would continue as long as “military answers” are provided there.

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GRENADA: Regime's Isolation Grows

Eastern Caribbean leaders have agreed to ostracize Grenada, while that nation's new military government is warning of an imminent invasion. [redacted]

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Heads of state of the English-speaking Caribbean nations meeting in Trinidad voted yesterday to suspend Grenada's membership in the Caribbean Community, the regional trade and integration organization. Jamaica, Barbados, and six smaller island states also supported military intervention to restore acceptable conditions in Grenada, but these measures were opposed by Trinidad and Tobago and Guyana, with the Bahamas and Belize abstaining. The Caribbean leaders also ratified economic sanctions already announced by the Organization of Eastern Caribbean States to suspend trade agreements, cut communications, and halt financial cooperation with Grenada. [redacted]

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In the first major policy statement since it seized power last Wednesday, a Revolutionary Military Council spokesman called for national unity, stressed the need for continued economic development in a mixed economy, and stated that Grenada would continue its independent nonaligned foreign policy. The announced policy included improved relations with the US. The spokesman said that the Council would appoint a cabinet representing all interests within 10 to 14 days. [redacted]

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US Embassy officials arrived in Grenada on Saturday and reported that Americans at the US medical school are fine. [redacted]

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Conflicting reports about the imprisonment or death of Grenadian citizens and former ministers have continued. A ranking official of the Cuban Embassy in Grenada said that former Deputy Prime Minister Coard is alive. [redacted]

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Former Minister of Agriculture George Louison also is alive and in the hospital, according to an official of the US medical school. A British diplomat in Grenada reportedly met with the wife of independent journalist Alister Hughes, who says that, contrary to press reports, Hughes is alive and has been in jail since Wednesday. [redacted]

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Radio Free Grenada reported yesterday that an invasion was imminent. Military personnel and militia members were mobilized Saturday, and those with government-owned vehicles were told to turn them in. Radio announcements yesterday called for militia members to report to three military posts on the northern coast of the island. [REDACTED]

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Comment: The stated policy of the new ruling military council appears to be essentially the same as that of the former regime, although little is known about the new leaders. President of the Military Council Austin is generally described as being less radical than the other three leaders and was more closely associated with the late Prime Minister Bishop. Vice Presidents James and Layne and former Ambassador to Cuba Cornwall are described by Grenadian exiles as extreme radicals. Cornwall and Layne are doctrinaire Marxists as is Coard. [REDACTED]

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The Caribbean leaders' decision to suspend Grenada from the Caribbean economic community was about as far as they could go, given the organization's normal reliance on unanimous consent. The opposition of Prime Minister Compton of Trinidad and Tobago to military intervention is key because Guyana or Belize were not expected to support such action. The virtually unanimous revulsion in the Caribbean over the recent events in Grenada will make it increasingly difficult for Cuba to openly support the new military rulers. [REDACTED]

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USSR: Shift on INF Talks

Recent statements by Soviet INF delegation members in Geneva reflect a shift to the position taken by other Soviet spokesmen that the talks should continue at least until NATO INF deployments begin.

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On 12 October chief Soviet INF negotiator Kvitsinskiy warned that the Soviets would walk out before deployments start. The same day, party Central Committee spokesman Zamyatin said Moscow would continue negotiating until the US begins deploying missiles.

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Six days later, Kvitsinskiy stated that the USSR was prepared to talk until US missiles are deployed. He added, however, that the Soviets might consider such deployments as beginning on 22 November, the day after West Germany's Bundestag is expected to reaffirm in a formal vote Bonn's support for deployments while continuing to seek a negotiated settlement.

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Another Soviet INF delegate, meanwhile, recently left open the possibility of negotiations after deployments begin. This notion also was raised last week by Aleksandr Bovin, a political commentator with ties to General Secretary Andropov. Bovin warned, however, that the USSR would still respond with counterdeployments, making it necessary for "new negotiations" to address higher levels of nuclear weapons.

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Comment: The change in posture of the Soviet INF delegation suggests that the USSR has concluded that its earlier threats to break off talks were impeding its efforts to block deployments. The delay in the Soviet delegation's adoption of the current line indicates the negotiators are not always well informed about what policymakers in Moscow have decided.

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The statements by the Soviet INF delegate and Bovin about the possibility of postdeployment talks are consistent with Foreign Minister Gromyko's remark to West German Foreign Minister Genscher on 16 October that no Soviet decision has been reached on what to do about the negotiations after US deployments begin.

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WESTERN EUROPE: Mass Protests Against INF

The large-scale demonstrations against INF deployments that took place over the weekend are unlikely to weaken the resolve of West European governments to deploy the missiles, but they probably will deepen differences between governments and opposition groups, particularly in West Germany.

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Nearly 2 million people marched throughout Western Europe this weekend to protest the anticipated deployment of INF missiles. In London, thousands of protesters rallied at Hyde Park in the biggest demonstration by the Campaign for Nuclear Disarmament since Prime Minister Thatcher defeated proponents of unilateral disarmament in the election last June. The protests have been spurred by a British press report that the first cruise missiles are scheduled to arrive in the UK on 1 November.

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Demonstrations in West Germany drew large crowds as a climax to 10 days of protests there. In Bonn, the scene of the central protest event, nearly 300,000 demonstrators listened to a speech by Social Democratic Party chairman Willy Brandt. He rejected missile deployment and indirectly rebuked the US for not accepting the Soviet offer to reduce SS-20 missiles to the level existing before the NATO two-track decision.

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Communist-sponsored demonstrations in Italy also were large, but rallies in Austria and Sweden were much smaller. The protest in Brussels yesterday reportedly was the largest demonstration in Belgian history.

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The demonstrations were for the most part peaceful and not politically strident. The only major outbreak of violence took place when a bomb exploded in an uninhabited building at a West German military intelligence facility.

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Comment: West European governments will not be swayed by the demonstrations. In the UK, however, they will give the Labor Party new ammunition to attack the government. In West Germany the forthcoming parliamentary debate on INF is likely to polarize the government and the opposition as a result of the Social Democratic Party's movement toward rejection of deployment.

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The peacefulness of the protests this weekend does not preclude violent incidents when the missiles start arriving.

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PHILIPPINES: Further Unrest Expected

The poor economy is leaving President Marcos little room to maneuver to stem growing political disaffection with his regime.

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Labor strikes last week involving approximately 50,000 workers added fuel to demonstrations calling for Marcos's resignation. The strikes shut down the Bataan Export Processing Zone, disrupted international communications, and closed roughly half the city's elementary and high schools.

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Manila has warned of additional layoffs and fuel rationing as a result of recent austerity measures to cope with the country's severe financial problems.

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Radical groups, meanwhile, are blaming the US for the economic crisis. A leftwing group plans to hold a demonstration against the presence of US bases in the Philippines in front of the US Embassy on Wednesday.

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Comment: There is no way for Marcos to avoid the fallout from harsh austerity measures that Manila has been forced to take because of its severe financial problems. Expected fuel price increases will add to labor unrest during the next year.

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Moderate opposition leaders presumably believe that the economic situation will help them by keeping the business community and labor groups firmly in their camp. They are holding out for additional political concessions by Marcos before agreeing to take part in National Assembly elections scheduled for next year.

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Marcos's use of harsh methods to break up strikes and demonstrations, however, will further damage the President's poor public image. The redeployment of additional troops to Manila may portend a stonger crackdown if demonstrations continue unabated.

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IRAN-IRAQ: Fighting in Iraq Continues

Iran's initial success in recent fighting along the northern portion of the border has prompted Iraq to retaliate against Iranian cities.

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Iraq has reacted by increasing its airstrikes on Marivan, headquarters of the Iranian operation, and by launching surface-to-surface missile attacks on Dezful and Masiede-e Soleyman according to Iranian communiques. In addition, the Iraqis claim to have mined the approaches to Bandar-e Khomeini, Iran's only functioning port with a railhead.

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Comment: The outcome of the border fighting is still unclear, but the Iranians probably will try to consolidate their gains to secure control of the important border crossing from Marivan to Panjwin before winter weather makes further heavy fighting difficult. Iraq's strategy of punishing Iran by attacking population centers is unlikely to alter Iran's determination to continue its war of attrition.

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Iraq's claim to have mined Bandar-e Khomeini is not confirmed. A similar Iraqi claim earlier in the war and repeated Iraqi attacks on merchant ships have failed to deter vessels from calling at the port.

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Iranian officials have repeatedly warned publicly and privately that the Strait of Hormuz would be closed if the Iraqis interfered with Iranian oil exports. Iran's second naval exercise near the Strait of Hormuz in less than a month is part of its campaign to demonstrate the seriousness of its threats.

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CUBA-HONDURAS: Support for Insurgents

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The Honduran Army has captured or killed most of the 96 members of the infiltrated guerrilla group, according to the US defense attache. Desertions by the insurgents and their lack of food aided the Army. Prisoners claim that some 2,000 Hondurans have received Cuban training and that another group of some 175 insurgents is scheduled to infiltrate Honduras in the near future.

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Comment: The prisoners probably exaggerate the number of guerrillas in training. Nevertheless, the Honduran Army apparently is concerned about insurgent incursions. Tegucigalpa probably can contain future threats, unless Havana and Managua are able to bring about a substantial increase in the size of the guerrilla forces and provide them with adequate logistic support.

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President Castro evidently attaches high priority to relieving pressure on Nicaragua and punishing Honduras for aligning itself with the US, even though Havana recognizes that conditions in Honduras are not ripe for revolution. The lack of popular backing for the infiltrated insurgents supports such an assessment.

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HONG KONG-CHINA-UK: Improved Atmosphere for Talks

Serious economic problems in Hong Kong have led China and the UK to show greater flexibility in their talks on the colony's future.

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The countries ended two days of talks in Beijing on Thursday by issuing a joint statement describing the discussions as "useful and constructive." They have agreed to meet again next month.

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Press reports indicate that Prime Minister Thatcher, in a recent letter to Premier Zhao, dropped London's insistence on a formal British presence after China regains sovereignty and instead asked only for a substantial British role. The Chinese have subsequently toned down their media attacks on the UK's position.

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Last week the Hong Kong Government stabilized the local currency by abandoning the free-floating exchange rate in favor of a fixed rate of 7.8 Hong Kong dollars per US dollar. The colony's two note-issuing banks now are required to back Hong Kong dollars they issue by depositing an equivalent amount of US dollars with the government. The British authorities also lifted the 10-percent withholding tax on interest earned on Hong Kong dollar deposits to encourage increased holdings of local currency.

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Comment: Both sides are anxious to prevent a recurrence of the near panic in Hong Kong that followed the talks last month when the local currency's value fell almost 15 percent overnight. By enacting monetary controls, the British hope to end the speculative transactions that heightened the crisis atmosphere. Thatcher's letter, meanwhile, seems designed to placate the Chinese and promote a calmer environment for discussions.

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The improved atmosphere may be short lived. The monetary controls are unlikely to do more than stabilize temporarily the value of the local currency so long as the colony's uncertain future continues to cause capital flight.

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Moreover, the two sides remain far apart and have not yet begun to discuss the complex details of turning Hong Kong over to Chinese control when the UK's lease expires in 1997. The Chinese are still urging an early British concession on sovereignty, while London seeks to preserve a British role to ease concerns in Hong Kong and abroad that China will radically alter the colony's way of life.

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Special Analysis

EL SALVADOR: The Military Balance

The tactical stalemate in the war continues. The current guerrilla offensive has blunted much of the momentum built by the Army during the summer, and government forces now are largely on the defensive. Both sides are improving their military capabilities, but problems in the Army weaken its chances of gaining a decisive edge before the election scheduled for early next year.

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The guerrillas began their long-awaited joint offensive in early September by attacking San Miguel City. Since then, they have extended their operations to eastern and central El Salvador.

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The insurgents continue to sabotage electrical facilities and bridges, attack small towns and isolated government posts, and ambush relief forces. The frequency and magnitude of these operations underscore the continued mobility and strength of the guerrillas, despite a summer of government offensives.

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The insurgents probably now believe they have regained the initiative, especially in the east. They recently proclaimed the establishment of a regional government in northern Chalatenango Department, where they claim to have killed or wounded 1,000 government troops and to have captured over 300 weapons. Although this claim is likely to be exaggerated, the guerrillas probably have inflicted heavier losses on government forces since early last month.

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In addition, after serious disagreement earlier this year, insurgent factions now are achieving closer cooperation.

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Aid From Nicaragua

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The insurgents have used captured arms and those received from Nicaragua to supply more militia units. They now have some 8,000 to 12,000 armed combatants, including both regulars and part-time fighters. [REDACTED]

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Nevertheless, the guerrillas still face difficulties in attracting popular support. This is particularly true in areas such as San Vicente and Cabanas, where the government has had effective civil action programs or competent field commanders. [REDACTED]

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The Government's Performance

During its summer campaign, the Army made more use of small-unit tactics and ambushes. It also sustained field operations in the insurgents' traditional base areas to disrupt insurgent logistic and supply networks. A fourth immediate-reaction battalion trained by US instructors in Honduras was put into action, and training of new "hunter" battalions continues. [REDACTED]

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[REDACTED] the US Embassy reports the government has implemented in San Vicente many of the civic action programs called for in the "national campaign" plan. [REDACTED]

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The start of the guerrilla offensive last month coincided with growing fatigue among Army troops and shortages of supplies. Most government forces have reverted to a defensive posture, although some local sweep operations continue. [REDACTED]

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Reliable military sources claim that several key officers are displeased with Defense Minister Vides's direction of the war effort. They may urge him to make some command changes by the end of the year, including appointing a new chief of staff. [REDACTED]

Outlook

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The Army will continue to gain strength by forming new elite units and by improving training. It has demonstrated the ability to take to the field for sustained operations and to improve its small-unit tactics. [REDACTED]

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Continued US aid at least at the current level, however, will be necessary to offset Nicaragua's support for the insurgents. Moreover, unless chronic problem areas such as command and control weaknesses, poor leadership, and lack of effective security measures show some improvement in coming months, the Army will be hard pressed to sustain any initiatives. [REDACTED]

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The guerrillas, meanwhile, probably will try to sustain their military momentum, particularly in the east, by carrying out sporadic hit-and-run raids, acts of economic sabotage, and perhaps an attack on a departmental capital. If they continue to be resupplied from Nicaragua and if they keep withdrawing in the face of superior forces, they probably will be able to sustain periodic offensives from now until the election. Neither side, however, is likely to gain a decisive military advantage in the near term. [REDACTED]

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